



**STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES**

Medicaid Purchasing Administration
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TO: Health Care Authority and Medicaid Purchasing Administration Stakeholders

FROM: Doug Porter, HCA Administrator and State Medicaid Director

SUBJECT: Governor's Biennial Budget Recommendations for Medicaid and HCA

Here's the problem Governor Gregoire addressed today – of the approximately \$35 billion state budget, we have the constitutional authority to change about \$14 billion – only 40 percent of the total. It is important to stop and consider that we have a \$4.6 billion shortfall for the next biennium, which means we must cut nearly one third of the money we can touch.

That lesson was obvious this morning, looking at the cuts that the Governor is recommending for the new biennium:

- The Basic Health plan – one of the unique features of our state's health care programs, would face termination under these recommendations.
- Medical coverage for the Disability Lifeline and ADATSA programs would face the same fate. Like Basic Health, they were rescued by the Legislature only one year ago.
- The Governor is recommending community clinic grants be cut in half during the next biennium from \$20 million to \$10 million.
- The Interpreter Services program would end, even though Washington is the poster child for the handful of states that offer this support to providers.
- Our employees, like other state workers, learned last night and today that our pay will be cut by three percent in the new biennium under an agreement with the unions.
- Federally Qualified Health Centers will see a reduction in their reimbursements that will generate \$85 million for the biennium.

And yet, there were some successes as well:

- The Governor did not sign on to what would have been a disastrous adult pharmacy cut, denying retail prescription medicine to hundreds of thousands of Medicaid clients.
- Several weeks ago, she did not even wait for a budget news conference to take adult hospice services off the cuts list.

- She called for the rescue of the First Steps/Maternity Support Services and related programs – ordering Maternity Services to be retooled with 50 percent of previous funding. She stood up for physical, occupational and speech therapy – all optional programs that were on the cuts list.
- The Health Care Authority's Washington Health plan – an unsubsidized version of Basic Health – was given the green light to continue and is steadily picking up enrollees.

Our budget staff will analyze the Medicaid and the Health Care Authority budget details as soon as they can, and we will distribute that breakdown to stakeholders as well as our staff. We will do the same with the Supplemental Budget recommendations, which the Governor is due to release by Friday. I caution you not to confuse the biennial budget with the separate problem of keeping the state in the black through June 30. There may be cuts in the supplemental that would not be reflected in the budget announced today.

I think the details are probably less important to us now than the broad sweep of what the Governor accomplished today. We are faced with an unprecedented fiscal crisis, one that presents staggering challenges for those of us charged with maintaining a base level of services for the neediest residents of Washington State; however, that is not all we must do. As the Governor said today, if we don't also make fundamental changes in state government and its structure during this crisis, we will miss this opportunity for good. Events will move on their own, and perhaps catastrophically.

Although these proposed budget cuts are devastating to many of us, our real purpose today is to protect the core functions that are vital to Washington residents – public safety, education, health care, and protection of the environment. When the economy turns for the better, we need to be in position to rebuild, to relay the foundation for a 21st century government. We must seize the opportunity then and now to continue to invest in our people, our economy, our infrastructure and our quality of life.

Thank you for your help and past support of the Medicaid program and the Health Care Authority. We will need you even more in the months to come.

Note: Additional information about the Medicaid biennium budget recommendations will be posted on the budget website later today: <http://hrsa.dshs.wa.gov/news/budget.htm>.